

**The Internal Revenue Service Should Improve
the Management of Its Energy Conservation
Program**

March 2003

Reference Number: 2003-10-068

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

March 4, 2003

MEMORANDUM FOR CHIEF, AGENCY-WIDE SHARED SERVICES

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Internal Revenue Service
Should Improve the Management of Its Energy
Conservation Program (Audit # 200210026)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) has complied with the prescribed energy conservation requirements under the National Energy Conservation Policy Act of 1978,¹ Executive Order 13123 (*Greening the Government Through Efficient Energy Management*), and Treasury Directive 75-04 (*Energy Management Program*).

In summary, although the Department of the Treasury has responsibility for providing a consolidated report of energy consumption to the Department of Energy, the IRS must provide a significant amount of the information to be used in compiling the report. However, information reported by the IRS is not reliable due to recent building reclassifications, which affected the baselines and goals used for measurement, and concerns with the accuracy and completeness of the data provided by the IRS.

Furthermore, the IRS has not complied with certain organization and accountability provisions of Executive Order 13123. Most notably, the IRS has assigned one of its mechanical engineers a peripheral duty to be the IRS' Energy Coordinator, with the responsibility to consolidate energy consumption data for submission to the Department of the Treasury. The IRS does not have a senior level official that is responsible for monitoring energy conservation efforts and does not have a technical support team with representation from the budget, procurement, legal, management, and technical areas to expedite agency efforts to meet the goals and requirements.

¹ National Energy Conservation Policy Act of 1978, Pub. L. No. 95-619, 92 Stat. 3206.

Management's Response: IRS management agreed to initiate corrective actions for each of our five recommendations. Specifically, the IRS has realigned the Energy Program so that the National Energy Program Manager reports directly to the Chief, Real Estate Management Branch. In addition, it is in the process of selecting a senior management analyst to serve as the National Energy Program Manager. This individual's responsibilities will include establishing a standard data submission process, updating the IRS' Energy Management Plan, issuing written guidelines, developing a training plan, ensuring all IRS delegated buildings are properly classified, and verifying baseline energy consumption figures. Further, the Program Manager will have a full range of technical support from engineering, procurement, legal, and budget personnel to help develop energy conservation projects.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

**The Internal Revenue Service Should Improve the
Management of Its Energy Conservation Program**

Table of Contents

Background	Page 1
Information Used to Report Compliance With Energy Conservation Requirements Is Not Reliable	Page 3
<u>Recommendations 1 and 2:</u>	Page 7
The Internal Revenue Service Has Not Complied With Certain Requirements of Executive Order 13123.....	Page 7
<u>Recommendations 3 and 4:</u>	Page 9
<u>Recommendation 5:</u>	Page 10
Appendix I – Detailed Objective, Scope, and Methodology	Page 11
Appendix II – Major Contributors to This Report.....	Page 12
Appendix III – Report Distribution List	Page 13
Appendix IV – Management’s Response to the Draft Report	Page 14

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

Background

The Federal Government is the nation's largest energy consumer. As such, energy conservation at federal facilities has been a longstanding priority. The Energy Policy Act of 1992 (EPACT),¹ along with its amendments to the National Energy Conservation Policy Act of 1978 (NECPA),² forms the statutory basis for federal energy management activities.

Executive Order 13123 (*Greening the Government Through Efficient Energy Management* (June 1999)), which has also been incorporated into the NECPA, further builds on these laws. Energy conservation goals outlined in the Executive Order and the applicable base years used to measure progress for each type of building are shown below.

Building Type	Base Year	Energy Reduction Goals	
		By 2005	By 2010
Standard Buildings/ Facilities ³	1985	30%	35%
Industrial, Research and Other Energy-Intensive Facilities ⁴	1990	20%	25%

Source: Executive Order 13123

Because of the variance in the size of federal agencies and their facilities, the consumption of energy (as measured in British Thermal Units [Btu])⁵ per gross square foot of building space for each year is generally used as the basis

¹ Energy Policy Act of 1992, Pub. L. No. 102-486, 106 Stat. 2776.

² National Energy Conservation Policy Act of 1978, Pub. L. No. 95-619, 92 Stat. 3206.

³ *Standard Buildings/Facilities* are those for which energy consumption is generally dedicated to lighting, heating, ventilation, and cooling for occupancy requirements, such as office buildings, libraries, and warehouses.

⁴ *Industrial, Research and Other Energy Intensive Facilities* are those for which the majority of energy use is for machinery and equipment beyond that used for lighting, heating, ventilation, and cooling, such as computing centers and bulk handling/processing facilities.

⁵ A Btu is a standard unit of energy. One Btu is the amount of thermal energy necessary to raise the temperature of 1 pound of pure water by 1 degree Fahrenheit (at 39 degrees Fahrenheit). For perspective, the average energy produced by 1 gallon of gasoline is approximately 114,000 Btus.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

for comparison. The following table shows the energy consumption (in Btus per gross square foot) reported by the Department of the Treasury for Fiscal Year (FY) 2001 and the Internal Revenue Service's (IRS) reported consumption for the space it is responsible for managing.

Building Type	Energy Consumption (in Btus per Gross Square Foot per Year)	
	Treasury-wide	IRS
Standard Buildings/ Facilities	88,335	77,101
Industrial, Research and Other Energy-Intensive Facilities	247,618	216,620

Source: Department of the Treasury⁶

It is important to note that Treasury-wide consumption is an average which includes the IRS as well as the other Treasury bureaus and offices. Additionally, the energy consumption amounts shown above do not include space for which the General Service Administration (GSA) provides building operation and maintenance services. As of July 31, 2002, the IRS had office space in approximately 760 buildings.⁷ The GSA provides building operation and maintenance services for most of these buildings (accounting for approximately 23 million square feet of IRS space), and is responsible for reporting on energy conservation efforts for the buildings. At the time of our review, the IRS was delegated with building management and energy consumption reporting responsibility for 23 buildings at 11 geographic sites, with a total of approximately 7 million square feet. Our review was limited to these sites, which included the National Headquarters building, the Martinsburg Computing Center,

⁶ Department-wide data were obtained from the Department of the Treasury's FY 2001 Annual Energy Report. The data for the IRS were obtained from the 2001 energy consumption data that the IRS provided to the Department of the Treasury.

⁷ This data were obtained from the July 31, 2002, IRS building directory.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

and the IRS Campuses.⁸ In FY 2001, the IRS reported that it spent approximately \$21 million for utilities at these sites.

The NECPA recommended that Inspectors General conduct periodic reviews of compliance with the Act. This review was performed from May through December 2002. To accomplish our objective, we conducted interviews with and reviewed documentation maintained by the IRS' Energy Coordinator in Philadelphia, Pennsylvania, and building management staffs at the Atlanta, Austin, and Philadelphia IRS Campuses, as well as the National Headquarters building. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Information Used to Report Compliance With Energy Conservation Requirements Is Not Reliable

Executive Order 13123 provides that each agency shall measure and report its progress in meeting the prescribed energy conservation goals and requirements on an annual basis. While the Department of the Treasury has responsibility for providing a consolidated report to the Department of Energy (DOE), the IRS must provide input to be used in compiling the report. We were unable to assess the IRS' progress to date due to both recent building reclassifications, which affected the baselines and goals used for measurement, and concerns with the accuracy of the data provided by the IRS.

Most buildings were recently reclassified from Standard to Industrial, which changed the baselines and goals

In general, *Standard Buildings* can be described as those sites where energy is used to provide standard building services, such as lighting, heating, ventilation, and cooling. *Industrial Buildings* have a much higher level of energy consumption than *Standard Buildings* because they generally use additional machines or equipment as a part of normal operations. As such, their energy needs go beyond

⁸ The Campuses are the data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the computing centers for analysis and posting to taxpayer accounts.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

the normal lighting, heating, ventilation, and cooling. Therefore, buildings need to be properly classified according to their level of energy use so that an accurate, useful depiction of an agency's energy consumption can be provided. It is equally important to ensure that the base year energy consumption figures an agency will use to measure its progress are accurate and complete.

Neither the IRS nor the Department of the Treasury can attest to the accuracy of the IRS' baseline energy consumption figures. Prior to FY 2001, all IRS delegated sites (with the exception of the Martinsburg Computing Center and its Annex) were classified as *Standard Buildings/Facilities*. In FY 2001, the Department of the Treasury determined that delegated buildings at the IRS' Campuses could be reclassified under the *Industrial Buildings* category. The baselines were then recomputed and the IRS' Energy Coordinator was asked to validate the figures. However, the IRS' Energy Coordinator was unable to do this since he did not have the necessary supporting documents.

This reclassification to the *Industrial Buildings* category included not only 9 Submission Processing buildings but also 10 other buildings, which include office space, warehouses, and a childcare center. Once the reclassification was completed, only 2 of the 23 buildings for which the IRS is responsible remained classified as *Standard Buildings/Facilities*. Reclassifying the Submission Processing buildings to the *Industrial Buildings* category appeared to have a reasonable basis; however, there does not appear to be an adequate basis for reclassifying office space, warehouses, or the child care center, given the lower energy needs for this use of space.

Certain information provided for the FY 2001 Annual Energy Report was incomplete or inaccurate

In addition to the above concerns related to the classification of buildings and the baselines used for measuring progress, we also identified inaccurate or incomplete information provided to the Department of the Treasury for each of the following four sections of the FY 2001 Annual Energy Report:

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

Annual Report on Energy Management – This included a statement that all IRS delegated sites have in-depth energy management and conservation plans. However, we were subsequently advised that there are, in fact, no specific energy conservation plans maintained by the individual sites.

There were several instances in which the information provided did not meet the requirements outlined in the FY 2001 reporting guidance provided by the DOE. For example, the DOE guidelines provide that the section covering training and education should describe actions taken to ensure all appropriate personnel receive training. The IRS' response only noted that members of the building management group are available to attend seminars or training. Also, the energy efficiency in lease provisions section should describe how energy and water efficiency are considered when entering into new leases or when renegotiating existing leases. The IRS' response only provides three standard lease provisions that are to be incorporated into lease agreements.

FY 2002 Implementation Plan – This did not provide a plan for implementing energy conservation for FY 2002; rather, it contained a narrative similar to the Annual Report on Energy Management.

Annual Energy Management Data Report – IRS personnel at the Atlanta IRS Campus reported two buildings as exempt from the energy reduction goals because they were leased sites and it was believed that significant infrastructure changes could not be made in those buildings. When it is not technically feasible to implement energy efficiency measures, a justification must be provided to the DOE explaining why energy efficiency measures cannot be implemented. The DOE must approve this designation. However, approval for this designation was not requested from the DOE. In addition, the IRS' Energy Coordinator did not report energy consumption data for the two buildings. Also, natural gas costs for the Philadelphia IRS Campus were overstated by almost \$1.8 million due to an error made when converting the figures to the specified format.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

Energy Scorecard – The IRS indicated that it used management tools to help meet the goals of the Executive Order. The Order specifies that the tools to be employed include awards/incentive programs, acknowledging successful efforts in performance evaluations, and designating showcase facilities. However, the IRS' Energy Coordinator was not aware of whether these tools were employed.

The IRS also indicated that it has established water management plans for its facilities and implemented at least four water conservation best practices. The IRS' Energy Coordinator advised us that the IRS sites do not have water conservation plans; however, recent renovation projects have included the installation of low flow water devices.

During our review of utility invoices, we were provided information indicating that the IRS' National Headquarters building used additional electricity in providing chilled/cooled water for cooling of a neighboring building and, in the past, had also provided steam for heating because of the configuration of the pipe and metering system. As such, IRS electric and steam consumption figures for the National Headquarters building may be incorrectly stated. The IRS' Energy Coordinator was not aware of these situations and was unable to provide the appropriate disclosures regarding the accuracy of IRS data.

The conditions discussed above occurred for the following reasons:

- Information provided in the Department of the Treasury's FY 2001 Annual Energy Report did not provide details as to the number and types of buildings reported under the *Industrial, Research and Other Energy Intensive Buildings* category. As such, the DOE was not in a position to assist the Department of the Treasury/IRS in determining whether the reclassification of buildings was appropriate.
- The IRS does not have a process in place to validate data before they are submitted to the Department of the Treasury.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

- The IRS' Energy Coordinator does not always receive sufficient information related to energy conservation plans or progress from all 11 delegated sites. Therefore, he supplemented the incomplete information using his knowledge of IRS operations.

The Department of the Treasury is not in a position to provide an accurate picture of progress and/or setbacks in attaining the goals of the law because of the inaccurate and incomplete information provided by the IRS.

Recommendations

1. The IRS' Energy Coordinator should work with representatives of the 11 delegated sites, the DOE's Federal Energy Management Program, and the GSA, as necessary, to ensure the IRS' facilities are properly classified and that baseline energy consumption figures are accurate.

Management's Response: The National Energy Program Manager will work with the specified parties and the Department of the Treasury's Energy Coordinator to ensure that delegated buildings are properly classified. The Program Manager will also collect data from all delegated sites in order to verify the baseline energy consumption figures.

2. The Chief, Agency-Wide Shared Services, should establish a reliable process for providing accurate information to the Department of the Treasury for its Annual Energy Report.

Management's Response: The National Energy Program Manager will establish a standard data submission process to ensure that data in the Annual Energy Report are accurate and reliable.

**The Internal Revenue Service
Has Not Complied With Certain
Requirements of Executive
Order 13123**

The IRS has made some progress toward improving energy efficiency. For example, it replaced the heating and cooling equipment at its Atlanta IRS Campus with newer, more efficient equipment. It also performed energy audits at its National Headquarters and Austin IRS Campus to identify

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

energy conservation opportunities. However, the IRS does not have a coordinated energy conservation program in place; therefore, energy conservation activities have been performed at certain individual sites but have not been coordinated to ensure effective implementation at all sites.

Executive Order 13123 provides that each agency must designate a senior official responsible for meeting the goals and requirements of the Order, and establish a technical support team with representation from the budget, procurement, legal, management, and technical areas to expedite agency efforts to meet the goals and requirements. Treasury Directive 75-04 (*Energy Management Program*) re-delegated these responsibilities to the bureau level. The Directive also calls for each bureau to implement a program to ensure compliance with Executive Order 13123.

The IRS does not have a senior level official that is responsible for monitoring energy conservation efforts, and does not have a technical support team with representation from the budget, procurement, legal, management, and technical areas to expedite agency efforts to meet the goals and requirements. The IRS has assigned one of its mechanical engineers a peripheral duty to be the IRS' Energy Coordinator, with the responsibility to consolidate energy consumption data for submission to the Department of the Treasury. While the IRS developed an Energy Management Plan that was to cover the period between 1995 and 2005, the IRS' Energy Coordinator has not updated or used the plan, and has generally not been involved in the planning or monitoring of energy conservation activities or projects.

The conditions noted above occurred because the IRS did not take the necessary actions to ensure the requirements of the Executive Order were implemented. The IRS does not have the strategic plans, policies, or guidelines necessary to implement an organization-wide program. Furthermore, the IRS' Energy Coordinator is not at a high enough level in the organization to implement the necessary changes. As a mechanical engineer, the IRS' Energy Coordinator does not serve in a managerial role, nor does he have the authority to oversee the activities of the 11 building managers.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

There are a number of reasons for the requirements in the law. Without a well-coordinated program and active use of the Energy Management Plan, the IRS cannot ensure that efforts to conserve energy at the IRS' delegated facilities are properly planned, implemented, and monitored. Nor can it ensure that positive results from energy conservation initiatives are shared among personnel at all buildings the IRS manages. As such, the IRS is not in a position to ensure that all appropriate energy efficiency measures will be implemented in its facilities.

Recommendations

As required by Treasury Directive 75-04, the Chief, Agency-Wide Shared Services, should:

3. Designate a senior level official with responsibility for ensuring the IRS is making sufficient progress toward meeting the mandated energy conservation goals and requirements. In turn, the designated official should assign an Energy Coordinator with clearly defined authority and responsibility for overseeing the IRS' energy conservation efforts at its 11 delegated sites.

Management's Response: Real Estate and Facilities Management is in the process of selecting a senior management analyst to serve as the National Energy Program Manager. In addition, the Energy Program has been realigned and the Program Manager will report directly to the Chief, Real Estate Management Branch.

4. Establish a cross functional team consisting of representatives from the Procurement, Chief Counsel, and Chief Financial Officer functions, as well as personnel with technical expertise on energy conservation, to assist the IRS' Energy Coordinator. This team should provide the IRS' Energy Coordinator with assistance in identifying and financing mechanisms for meeting energy conservation goals. This should include ensuring that the IRS' annual budget submission includes requests for funding necessary to meet the stated goals.

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

Management's Response: The National Energy Program Manager will have a full range of technical support from engineering, procurement, legal, and budget personnel to help develop energy conservation projects. When the Program Manager identifies projects requiring funding, those projects will be submitted to the IRS Governance Board for approval and funding or for inclusion in the IRS' annual budget.

5. Update the Energy Management Plan and ensure that it outlines the scope and organization of the IRS' energy conservation program. This plan should be supplemented by written guidelines and training aimed at assisting building managers in the planning, monitoring, and tracking of energy conservation efforts.

Management's Response: The Program Manager will update the Energy Management Plan to ensure it provides clear guidance to staff responsible for energy conservation measures in IRS facilities.

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) has complied with the prescribed energy conservation requirements under the National Energy Conservation Policy Act of 1978 (NECPA),¹ Executive Order 13123 (*Greening the Government Through Efficient Energy Management*), and Treasury Directive 75-04 (*Energy Management Program*). We also attempted to determine if the IRS has met and will be able to meet future energy efficiency improvement goals. To accomplish our objective, we:

- I. Reviewed the NECPA, Energy Policy Act of 1992,² Executive Order 13123, and Treasury Directive 75-04 to determine requirements applicable to the IRS. Also determined whether the IRS developed procedures, guidelines, or training to assist employees in complying with the laws and regulations.
- II. Determined whether the IRS designated individuals with responsibility for meeting the goals and requirements of the NECPA and Executive Order 13123. Additionally, performed analysis to evaluate the accuracy and completeness of the IRS' Fiscal Year (FY) 2001 Annual Energy Report data provided for inclusion in the Department of the Treasury's overall report. Our analysis was limited to reviewing the IRS' FY 2001 input to the Department of the Treasury and tracing data back to supporting documentation maintained by the IRS' Energy Coordinator.
- III. Determined whether the IRS had adequate action plans and processes to track, guide, and monitor progress toward meeting the energy conservation goals established in the NECPA/ Executive Order 13123.
- IV. Assessed the effectiveness of the IRS' energy program based upon information gathered in Objectives I – III. In addition, interviewed staff from the Department of Energy's Federal Energy Management Program to identify suggested best practices and "model" agencies to evaluate whether the IRS could make use of such practices to improve compliance with the goals and requirements of the energy conservation laws.
- V. Evaluated the reliability of reported energy consumption by reviewing utility bills (steam, gas, electric, and water) at four judgmentally selected sites.³

¹ National Energy Conservation Policy Act of 1978, Pub. L. No. 95-619, 92 Stat. 3206.

² Energy Policy Act of 1992, Pub. L. No. 102-486, 106 Stat. 2776.

³ Our review was conducted at 4 of the 11 delegated sites. We selected these sites based on the varying levels of progress of their energy conservation efforts.

Major Contributors to This Report

Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

Michael E. McKenney, Director

Scott P. Begley, Audit Manager

Thomas F. Polsfoot, Acting Audit Manager

Melvin Lindsey, Senior Auditor

Barbara A. Sailhamer, Senior Auditor

Angela Garner, Auditor

Carolyn D. Miller, Auditor

**The Internal Revenue Service Should Improve the
Management of Its Energy Conservation Program**

Appendix III

Report Distribution List

Acting Commissioner N:C
Deputy Chief, Agency-Wide Shared Services A
Director, Real Estate and Facilities Management A:RE
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaison:
 Agency-Wide Shared Services A

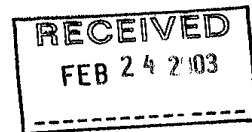
The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



February 20, 2003

MEMORANDUM FOR GORDON C. MILBOURN III
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Gregory D. Rothwell
Deputy Chief, Agency-Wide Shared Services

SUBJECT:

TIGTA Draft Audit Report #2002-10-026, The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program, dated January 24, 2003

I agree with your assessment that IRS does not have a nationally coordinated Energy Conservation Program. However, we do implement energy initiatives at the local level and incorporate energy efficient equipment (Energy Star) into new construction and when we replace building systems. For example, during the Brookhaven Campus Modernization Project we installed energy efficient control systems, chillers, cooling tower motors, exterior windows, energy efficient lighting and motion detectors. Two other noteworthy achievements in this area are:

- Austin Campus Energy Conservation Project: In partnership with GSA and an Energy Savings Performance Contract, we replaced existing equipment and fixtures with energy efficient mechanical equipment, controls, lighting, and 152 water efficient toilets. This initiative will result in projected annual savings of \$310,000. In October 2002, the Department of Energy recognized this achievement by presenting the IRS with a Federal Energy and Water Management Award.
- 1111 Constitution Avenue: We completed this multi-year project in 2000 with the replacement of the cooling tower, chillers, primary and secondary pumps, air handler motors, steam traps, and installation of energy efficient lighting. We are saving \$850,000 annually as a result of this initiative.

Our Real Estate and Facilities Management (REFM) Division is in the process of selecting a senior management analyst to serve as the National Energy Program Manager. We have also realigned the program so that the Program Manager reports directly to the Chief, Real Estate Management Branch. Within the first 120 days of selection, we expect the new Program Manager to:

- Develop Energy Program objectives;
- Establish procedures to update, maintain, and report accurate data;

7

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

- Identify training needs and formulate a training plan; and
- Develop a strategy to ensure IRS is in full compliance with all applicable laws and regulations.

REFM architectural and engineering services will provide a full range of engineering, architectural and contractor support to the Program Manager.

As with all projects, REFM will enlist the support of the finance organization, procurement, and Chief Counsel, and energy conservation projects will be presented to the Governance Board for approval and funding or for inclusion in IRS' annual budget. Using the Governance Board to approve energy initiatives is consistent with its charter and elevates such projects to the appropriate level. The Board is comprised of the Commissioner, Deputy Commissioner, Business Unit Commissioners, Chief Financial Officer, and NTEU. The Chief, Agency-Wide Shared Services chairs the Board.

Attached is our response to the five recommendations in the report.

If you have additional questions, please contact me at (202) 622-7500 or the Director, Real Estate and Facilities Management Division, Ronald R. Stephen at (202) 283-9400. For matters addressing audit follow-up and liaison, please call Greg Rehak at (202) 622-3702.

Attachment

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

RECOMMENDATION 1: The IRS' Energy Coordinator should work with representatives of the 11 delegated sites, the DOE's Federal Energy Management Program, and the GSA, as necessary, to ensure the IRS' facilities are properly classified and that baseline energy consumption figures are accurate.

CORRECTIVE ACTION: The National Energy Program Manager will work with specified parties and the Department of Treasury Energy Coordinator to ensure that delegated buildings are properly classified according to all applicable laws and regulations. The Program Manager will collect data from all delegated sites, so that we can verify the baseline energy consumption figures.

PROPOSED COMPLETION DATE: September 30, 2003

RESPONSIBLE OFFICIAL: Chief, Real Estate Management Branch, REFM, AWSS

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

RECOMMENDATION 2: The Chief, Agency-Wide Shared Services should establish a reliable process for providing accurate information to the Department of the Treasury for its Annual Energy Report.

CORRECTIVE ACTION: The National Energy Program Manager will establish a standard data submission process to ensure that data in the Annual Energy Report is accurate and reliable.

PROPOSED COMPLETION DATE: September 30, 2003

RESPONSIBLE OFFICIAL: Chief, Real Estate Management Branch, REFM, AWSS

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

RECOMMENDATION 3: Designate a senior level official with responsibility for ensuring the IRS is making sufficient progress toward meeting the mandated energy conservation goals and requirements. In turn, the designated official should assign an Energy Coordinator with clearly defined authority and responsibility for overseeing the IRS' energy conservation efforts at its 11 delegated sites.

CORRECTIVE ACTION: The Energy Conservation Program has been realigned and a National Energy Program Manager will report directly to the Chief, Real Estate Management Branch. REFM is selecting a senior management analyst to serve as the Program Manager. The package has been ranked and the servicing personnel office is preparing a certificate so a selection can be made

PROPOSED COMPLETION DATE: March 31, 2003.

RESPONSIBLE OFFICIAL: Chief, Real Estate Management Branch, REFM, AWSS

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

RECOMMENDATION 4: Establish a cross functional team consisting of representatives from the Procurement, Chief Counsel, and Chief Financial Officer functions, as well as personnel with technical expertise on energy conservation, to assist the IRS' Energy Coordinator. This team should provide the IRS' Energy Coordinator with assistance in identifying and financing mechanisms for meeting energy conservation goals. This should include ensuring that the IRS' annual budget submission includes requests for funding necessary to meet the stated goals.

CORRECTIVE ACTION: The National Energy Program Manager will have a full range of technical support, such as mechanical and electrical engineers; architects; and procurement, budget, and legal personnel to help develop energy conservation projects. When the Program Manager identifies projects requiring funding, those projects will be submitted to the IRS Governance Board for approval and funding or for inclusion in IRS' annual budget. The Governance Board is comprised of the Commissioner, Deputy Commissioner, Chief Financial Officer, senior officials from all business units, and NTEU. The Chief, Agency-Wide Shared Services chairs the Board.

PROPOSED COMPLETION DATE: September 30, 2003

RESPONSIBLE OFFICIAL: Chief, Real Estate Management Branch, REFM, AWSS

The Internal Revenue Service Should Improve the Management of Its Energy Conservation Program

RECOMMENDATION 5: Update the Energy Management Plan and ensure that it outlines the scope and organization of the IRS' energy conservation program. This plan should be supplemented by written guidelines and training aimed at assisting building managers in the planning, monitoring, and tracking of energy conservation efforts.

CORRECTIVE ACTION: The National Energy Program Manager will update the Energy Management Plan to ensure that it provides clear guidance to staff responsible for energy conservation measures in IRS facilities. The Program Manager will identify training needs, develop a training plan, and issue written guidelines to help building managers plan, monitor, and track of energy conservation efforts.

PROPOSED COMPLETION DATE: September 30, 2003

RESPONSIBLE OFFICIAL: Chief, Real Estate Management Branch, REFM, AWSS